EXHIBIT 6

S&P Global
Market Intelligence

Sprout Social, Inc. NasdaqCM:SPT

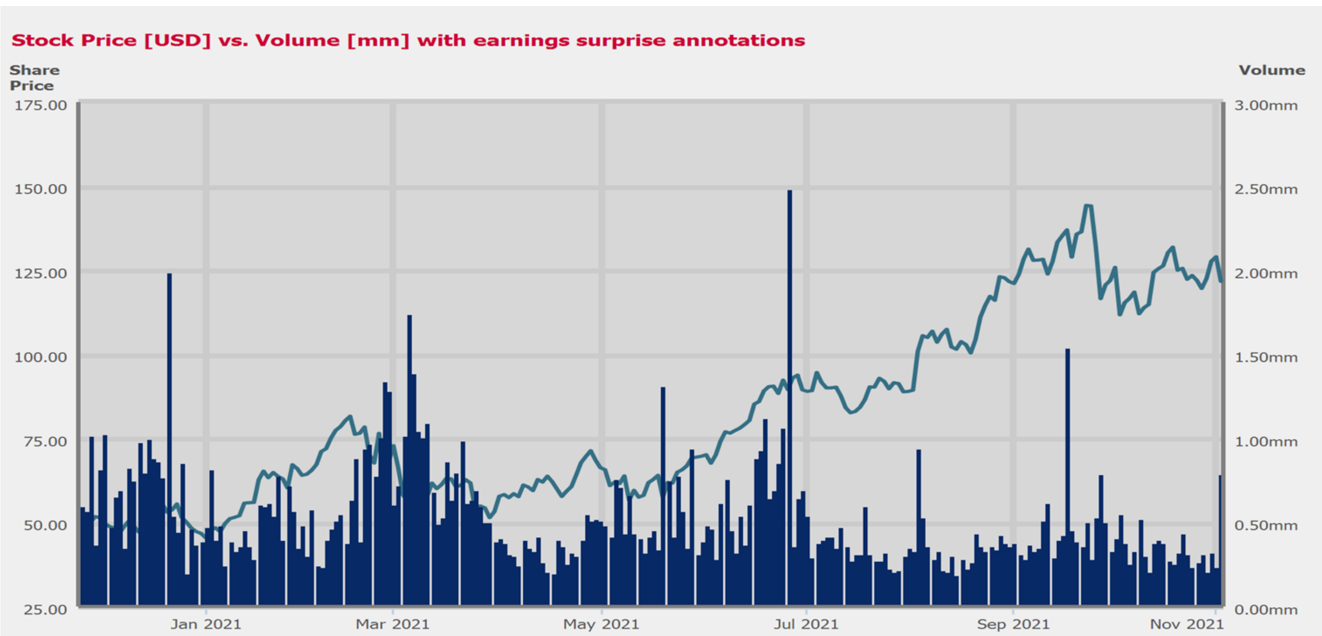
FQ3 2021 Earnings Call Transcripts

Tuesday, November 02, 2021 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2021-			-FQ4 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.08)	(0.03)	NM	(0.08)	(0.21)	(0.19)
Revenue (mm)	47.37	49.09	▲3.63	49.57	182.41	238.99

Currency: USD
Consensus as of Oct-18-2021 7:00 AM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ4 2020	(0.11)	(0.06)	NM
FQ1 2021	(0.10)	(0.05)	NM
FQ2 2021	(0.10)	0.00	NM
FQ3 2021	(0.08)	(0.03)	NM

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Call Participants

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Head of Investor Relations

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Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Sprout Social's Third Quarter 2021 Earnings Call. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the conference over to your host, Mr. Jason Rechel, Head of Investor Relations. Please go ahead.

Jason Rechel
Head of Investor Relations

Thanks, operator, and welcome to Sprout Social's Third Quarter 2021 Earnings Call. We'll be discussing the results announced in our press release issued after market closed today, and we've also released an updated investor presentation, which can be found on our website. With me are Sprout Social's CEO, Justyn Howard; CFO, Joe Del Preto; and President, Ryan Barretto.

Today's call will contain forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, among others, statements concerning financial and business trends, our expected future business and financial performance and financial condition, our guidance for the fourth quarter of 2021 and the full year 2021 and can be identified by words such as expect, anticipate, intend, plan, believe, seek or will. These statements reflect our views as of today only, shouldn't be relied upon as representing our views at any subsequent date, and we don't undertake any duty to update these statements.

Forward-looking statements address matters that are subject to risks and uncertainties that could cause actual results to differ materially. For a discussion of the risks and other important factors that could affect our actual results, please refer to our annual report on Form 10-K for the fiscal year ended December 31, 2020, filed with the Securities and Exchange Commission on February 24, 2021, as well as any future quarterly and current reports that we file with the SEC.

During the call, we'll discuss non-GAAP financial measures, which are not prepared in accordance with generally accepted accounting principles. Definitions of these non-GAAP financial measures, along with reconciliations to the most directly comparable GAAP financial measures, are included in our earnings press release, which has been furnished to the SEC and is available on our website at investors.sproutsocial.com.

And with that, let me turn the call over to Justyn. Justyn?

Justyn Russell Howard
Co-Founder, Chairman & CEO

Thank you, Jason, and good afternoon, everyone. Thank you for joining us. Our team continues to execute at a high level, and we're pleased to report 46% quarterly revenue growth, our fastest growth rate yet as a public company.

Following our first Investor Day, where we outlined our multiyear goals and as we prepare to lap the 2-year anniversary of our IPO, we've simply never been more excited about our business momentum. We believe we're well positioned to capitalize on the $100 billion opportunity in front of us. And as always, we're grateful for your partnership and support. We covered a lot of ground at our Investor Day in September, so I'll keep my comments on the shorter side today. I'll cover a few highlights before turning the call over to Ryan and Joe to cover the details.

On the heels of a 46% revenue growth quarter, we're pleased to raise our 2021 revenue growth forecast to 40%. This milestone reinforces the secular tailwinds to social media management, our unique go-to-market strategy and the differentiation of our technology platform. Yet again, we managed to break a

series of our own records this quarter driven by outsized momentum in the mid-market and enterprise segments, which are now collectively approaching 70% of our ARR.

During Q3, we added a record number of customers contributing more than $10,000 in ARR and added a record number of customers contributing more than $50,000 in ARR. We again achieved positive free cash flow, and we eclipsed the Rule of 50 for a second consecutive quarter. Our large customer growth momentum has further accelerated as we head into the end of the year, underscoring the quality, durability and increasing efficiency of our growth as our customers operationalize social.

While we continue to rapidly improve our core platform and press on our differentiators, we're also making foundational investments in strategic long-term opportunities. Our investments in social commerce, listening, care and advocacy are examples of how we're positioning ourselves ahead of the rapid shift in tooling and the expanding use cases of social media in modern business. We have the unique opportunity to work with more than 30,000 customers across segments, verticals and various levels of social sophistication that help shape and inform our strategy to align with evolving customer needs and these emerging opportunities. This vantage point, coupled with the speed of our development model, provide a critical competitive advantage as our industry grows rapidly.

The way we build our software also allows us to constantly improve our core capabilities in a market that we estimate has single-digit penetration of more than 200 million businesses that will rely on social media for nearly every aspect of their customer life cycle. We're deliberately balancing these core improvements with innovation and adjacent opportunities because most of the addressable market is still on step 1.

Our team is well into 2022 planning, and we're thinking hard about the growing footprint and utility of social media across an organization and across the emerging use cases that we've spent this year speaking with you about. We're thinking about what specific capabilities those use cases will need and what opportunities that creates for us to empower our customers. We're going to expand on the foundation for the shift to social commerce, and we're planning to expand our premium module strategy. We'll also continue to expand our reach across the social channels that matter most to our customers and to their customers.

Earlier today, we announced we're bringing WhatsApp business messaging into the Sprout platform, following other integrations we've announced in the past several quarters. WhatsApp is the messaging platform of choice for more than 2 billion people globally, and we're excited to allow our customers to seamlessly integrate this channel into Sprout's unified platform. This is only the latest example of our team constantly delivering more value to our customers, and you'll continue to see new technology and partner integration from us in the coming quarters.

From a go-to-market perspective, we're going to further double down on the success we've seen in the mid-market enterprise while still positioning ourselves to be the only company able to address the full spectrum of an estimated $100 billion TAM that's growing very quickly.

We're heading into the end of the year with significant momentum, and we'll approach 2022 with the same focus, ambition and values that have always shaped our company. A recent analysis by Fast Company reviews data over the past 18 months on Glassdoor found Sprout to be the third highest rated company in the U.S. for work-life balance. Considering the COVID backdrop and performance of this team during that time, this recognition is something that we're really proud of.

While putting our people first, we'll continue to aspire to build the best software in the industry, take amazing care of our customers and build value for our shareholders. We're a different kind of company, and we're excited to build on our success in the years ahead.

With that, I will turn the call over to Ryan.

Ryan Paul Barretto
President

Thanks, Justyn. Once again, our teams rose to the occasion and overdelivered this quarter. The barriers to entry in our market are rising. Our platform is becoming more differentiated, and our market opportunity

is growing rapidly. We just delivered 46% quarterly revenue growth, our fastest as a public company. This success is increasing our ability to attract, retain and lead an incredible group of people. They are the team that will help us capitalize on what we believe to be a $100 billion opportunity in front of us.

During the summer of 2020, we shared that our competitive win rates had strengthened against each of our primary competitors. We are now more than a year into a new era with a full year of compelling data. Buying behavior has changed. Distributed work is the new standard, and customers expect to evaluate and try software for themselves before making a contractual commitment. As we shared at Investor Day, we believe that the way that we've constructed our platform enables us to effectively and efficiently deliver industry-leading software to all segments of the market while meeting customers in the way that they want to buy.

I'm happy to share that through Q3, our year-over-year competitive win rates both in terms of percentages and dollars increased again against each of our primary competitors. We've always taken the long view, and we believe that our unique approach to building software and democratizing access to it has positioned us to lead the market.

The impact of our recent marketing focus on executives, strategic decision makers and mid-market and enterprise organizations could really be seen this quarter. And both our inbound and outbound sales efforts continue to prioritize the significant growth opportunities we are seeing in these segments. These efforts helped drive the record net additions and acceleration in growth of our $10,000 and $50,000 customer cohorts as well as our acceleration in ACV.

We continue to make big investments in onboarding and customer success to ensure that we're maximizing our opportunity to add value to these customers, and I'm proud of the way our teams are executing. As Justyn said, we're doubling down in each of these areas as we move into 2022 planning.

Our success in capitalizing on a growing number of use cases and creating value with our premium offerings like social listening and analytics are compelling drivers of our growth. The seamless integration of our platform is a massive differentiator for teams of users at large organizations that need to collaborate and build insights from different parts of Sprout. Social has become a team sport, and we believe we're the software best equipped to help these cross-functional teams win. A sample of the brands that grew with us this quarter includes Tesco PLC, TrueCar, InstantBrands, Atlassian, Zscaler, Blue Cross Blue Shield of Michigan, Northland Properties, BARK and LHC Group.

Now shifting to a few customer stories. We had the opportunity to begin working with Zscaler this quarter. Said Suruchi Sharma, Director of Digital Marketing, "We needed to consolidate and up-level our social media publishing, content curation, engagement, listening and reporting in one platform. Sprout has helped us manage these efforts with a unified approach and has delivered valuable insights to help us understand the social sentiment across the Zscaler brand. Also, Sprout has given us the ability to uncover emerging trends and is our one-stop shop for everything social."

Digital marketing is a critical business area for a new partner, Harris Blitzer Sports & Entertainment. They are highly focused on identifying digital partners who will transform how they engage fans and partners. Vice President of Growth Marketing, Tucker Taylor, said, "Sprout Social's all-in-one platform was a natural fit, given the dynamic and fast-paced needs in managing our sports and entertainment social channels. In particular, the tagging feature has been a game changer. Our teams can now quickly aggregate and measure partner campaign performance while also gaining insights into proof of concepts that drive new deals."

I'm also really pleased with the early uptake of social commerce and the customer feedback on these new capabilities. Even more remarkable with this early adoption is that we didn't begin marketing social commerce to new customers until the very end of the quarter. Here's some direct insight from Newton Baby, an amazing digital native business. "We began using Sprout Social's commerce functionality this quarter," said Kayla Johnson, Social Media Manager of Newton Baby. "Our overall message volume is 5,000 messages per month. The integration to our product catalog saves nearly 5 minutes per message while empowering our entire customer service team to generate sales and upsell products with the click of a button without leaving Sprout Social's platform. The result: from June to July, our average response time

decreased by 60% or action rate increased by 62%. Using the Sprout Smart Inbox to reply directly to customers has significantly upgraded our customer service and is absolutely a capability we plan to use more."

We also just shared a new case study for Klarna, which offers buy now, pay later services in an all-in-one shopping app for a frictionless retail experience. Social has been instrumental in helping the company build brand awareness, provide customer service and engage followers while also acting as a key source of business intelligence. Rickard Berggren, Klarna's Marketing Manager and Global Content Creative, shared, "One of our primary goals is to grow our user base. But first, we must understand our customers' needs and how using our smooth shopping service can improve their daily lives. Social is a huge asset for getting the message to customers and giving us the insights we need to effectively engage them."

To bring it all together, we had another record-breaking quarter. Our teams are delivering for one another and for our customers, and our momentum and pipeline heading into the fourth quarter has us very excited about the opportunity to close the year strongly while positioning us for faster in 2022.

With that, I'll turn it over to Joe to run through the financials. Joe?

Joseph M. Del Preto
CFO & Treasurer

Thanks, Ryan. I'll now walk you through our third quarter results in detail before moving on to guidance for the fourth quarter and full year 2021.

Revenue for the third quarter was $49.1 million, representing 46% year-over-year growth. ARR exiting Q3 was $204.6 million, up 44% year-over-year. We are pleased to see healthy new business, our best-ever quarter for new business mix on annual contracts, our best-ever quarter for percentage logo retention and healthy expansion activity. We added 1,093 net new customers in Q3 to finish the quarter with 30,705 customers, up 20% year-over-year.

As always, we remain focused on high-quality revenue yield from our new customer cohorts and magnitude of quality during Q3. We direct our teams against leads that we forecast will have the best revenue opportunity, and we're very pleased as our marketing efforts continue to deliver high-value mid-market and enterprise customers. Our healthy top of funnel continues to give us the opportunity to optimize for revenue yield while also delivering greater than 1,000 net new quarterly customer additions for the foreseeable future.

A number of customers contributing more than $10,000 in ARR reached 4,380, up 57% from a year ago. The number of customers contributing more than $50,000 in ARR reached 478, up 98% from a year ago. As a direct result of record net customer additions in each of these cohorts, the growth rate of our large customers accelerated once again. When combined with our expansion efforts and new capabilities, our ACV growth accelerated to 20% year-over-year, which represents the fastest rate of ACV growth in at least 5 years. As I shared at Investor Day, we have a number of growth drivers to support durable ACV growth.

In discussing the remainder of the income statement, please note that unless otherwise stated, all references to our expenses, operating results and share count are on a non-GAAP basis to exclude stock-based compensation expense and are reconciled to our GAAP results in the earnings press release that was just issued before this call.

In Q3, gross profit was $37.0 million, representing a gross margin of 75.4% and is up 100 basis points compared to gross margin of 74.4% a year ago. We see a positive impact on gross margins as we lap legacy hosting costs in Simply Measured, which also has afforded us the ability to invest even more in customer support and success, which have benefits to retention and growth.

Sales and marketing expenses for Q3 were $19.1 million or 39% of revenue, down from 42% a year ago. We're continuing to accelerate our pace of hiring across both our sales and marketing teams. Even as our total sales and marketing expense growth accelerated for the fifth quarter in a row, indicating active investments into the durability of our growth, we're able to further improve efficiency. Research and development expenses for Q3 were $9.5 million or 90% of revenue, down from 21% a year ago.

Our R&D head count and asset expenses grew substantially this quarter as we accelerate hiring to meet an expanding set of product opportunities. But as our CTO, Aaron Rankin, shared at Investor Day, we're continuing to prove the scalability and efficiency of our technology as we grow.

General and administrative expenses for Q3 were $10.1 million or 21% of revenue, down from 24% a year ago. G&A expenses increased sequentially as we returned to a more normalized spending environment. We expect G&A expenses to further decline as a percent of revenue as we scale from here.

Non-GAAP operating loss for Q3 was $1.6 million for a negative 3.3% operating margin. This is an improvement of nearly 1,000 basis points compared with a negative 13% operating margin a year ago. We are pleased with the improving efficiency as we scale, and we're surpassing our expectations primarily due to revenue outperformance. Non-GAAP net loss for Q3 was $1.8 million for a net loss of $0.03 per share based on 53.9 million weighted average shares of common stock outstanding compared to a net loss of $4.4 million and $0.09 per share a year ago.

Turning to the balance sheet and cash flow statement. We ended Q3 with $175.0 million in cash, cash equivalents and marketable securities, up from $171.5 million at the end of Q2 2021. Deferred revenue at the end of the quarter was $56 million. Looking at both our billed and unbilled contracts, our remaining performance obligations, or RPO, totaled approximately $87.2 million, up from $81.2 million exiting Q2 2021 and up approximately 62% year-over-year. We expect to recognize approximately 83% or $72.4 million of total RPO as revenue over the next 12 months.

Operating cash flow in Q3 was positive $4.4 million compared to negative $2.6 million a year ago. Free cash flow was positive $4.2 million in Q3 for a positive 8% free cash flow margin compared to a negative $4.0 million and a negative 12% free cash flow margin a year ago. Our ongoing momentum into the mid-market enterprise and mix shift towards annual and multiyear contracts are each having a positive impact on free cash flow as they grow.

We are pleased with the ongoing free cash flow generation of the business. The combination of strong free cash flow margins and accelerating revenue growth took us above the Rule of 50 benchmark again this quarter, underscoring the attractiveness of our unit economics. I want to reiterate that we remain optimized for future growth. To keep in mind for your models, we have historically seen many large enterprise customers sign in Q4 with invoicing terms beginning in Q1, which has created some modest seasonal headwinds and cash flow for Q4 with a positive offset in Q1.

Shifting to formal guidance. For the fourth quarter of fiscal 2021, we expect total revenue in the range of $51.2 million to $51.3 million or a growth rate of 37%. We expect non-GAAP operating loss in the range of $4.0 million to $3.5 million. This represents an anticipated operating margin of negative 7.3%, an improvement of 150 basis points year-over-year. We're making aggressive growth investments across our company, improving efficiency as we grow, highlighting the compelling economics of our business model. We expect a non-GAAP net loss per share of between $0.07 and $0.06, assuming approximately 54.1 million weighted average basic shares of common stock outstanding.

For the full fiscal year 2021, we now expect total revenue in the range of $185.8 million to $185.9 million. This is an expected overall reported growth rate of 40% and compares with our prior annual expected growth rate of 37%. For 2021, we now expect non-GAAP operating loss in the range of $7.8 million to $7.3 million. This implies a non-GAAP operating margin of negative 4.1%, more than 180 basis points better than our prior annual guidance and an improvement of nearly 1,200 basis points year-over-year. We are pleased to see even faster growth with greater efficiency. We now expect a non-GAAP net loss per share of between $0.15 and $0.14, assuming approximately 53.8 million weighted average basic shares of common stock outstanding.

In summary, we believe we are strongly positioned to deliver on our multiyear growth goals. Our accelerated growth rate, compelling financial leverage and strong free cash flow performance gives us confidence to make optimized investments that we believe will enable us to achieve our full potential in the quarters and years ahead.
With that, Justyn, Ryan and I are happy to take any of your questions. Operator?

Question and Answer

Operator

[Operator Instructions] You first question comes from the line of Raimo Lenschow from Barclays.

Frank Joseph Surace
Barclays Bank PLC, Research Division

This is Frank on for Raimo. Congrats on another great quarter. So large customer adds came in very strong again. Can you speak to exactly what drove that strength there particularly? Was that more average users, better premium attach rates, better enterprise traction? Anything would be helpful.

Ryan Paul Barretto
President

Frank, thanks for the question. This is Ryan. I can handle that one for you. It was -- you took most of our answers there. It was a combination of a lot of those things. As we continued to sell into the mid-market and enterprise, there's certainly more user opportunities in front of us. We're seeing folks from various departments across marketing and customer care and across an organization having a need for social. So that's definitely continuing to be one of the major drivers is the seat expansion opportunity that exists.

And then as we've added over the last couple of years more of that sophisticated functionality with things like Premium Analytics and listening, that data, the insights from those products have been really compelling and important for organizations. So I'd definitely say it's those 2 things there, so great execution from those mid-market and enterprise teams.

And then our marketing team has just done a wonderful job in really focusing in on going after these sophisticated buyers through our SEO and content strategy. And so it's provided us with a really healthy pipeline of big opportunities.

Operator

Next up, we have Rob Oliver from Baird.

Robert Cooney Oliver
Robert W. Baird & Co. Incorporated, Research Division

Great. And apologize for the connectivity. Hopefully, you guys can hear me okay. Ryan, my question is also for you. And I wanted to dig in a little bit on some of the social commerce-related activities. Obviously, the WhatsApp deal you guys put on the tape comes on the heels of some of the summer announcements you guys made around Instagram and Facebook. So I'd love to get an update on how those are ramping and if they were a contributor to some of the cross-sell and upsell that we saw this quarter and the momentum you guys had.

And then also, there was a mention of buying off, pay later on the call as well. And it just strikes us that, that's also a significant driver of social commerce. So would just love to hear your thoughts on that.

Ryan Paul Barretto
President

Yes. Thanks, Rob. So on -- I'll take the first question first here in terms of social commerce and the impact. I'd say generally, there's a lot of headroom there and most of the opportunity we see in front of us. I think if we just think about the social networks' innovation within social commerce and what they've released from a product perspective, there's still a lot of innovation to come. Most of these organizations have been talking about their road maps. Not that many have it in the market today. But for those that do and where we're playing, which is Facebook Shops and Shopify, we saw some really good successes, especially from companies that already had e-commerce functionality. And we're immediately seeing the benefits there.

And so we had an example of Newton Baby, a digital-first company. There's a number of companies that came on board within the quarter to leverage this functionality. We see it today as more of a differentiator for us. We're obviously not monetizing that opportunity today, but it's adding value to customers from the standpoint that it's making them faster to respond to their customers. It's enabling them to provide a much better customer experience because the folks on the other side have better data on who those customers are coming through social. And in many cases, we're seeing organizations rethink customer care and customer support in the vein of the revenue generation operation versus a cost center because they're able to leverage the social commerce functionality to drive revenue. So again, we've seen it as a nice differentiator, but I'd say it's still pretty early on within the journey.

And then the comment around the buy now, pay later was a new customer example, Klarna, that came on board and just did a case study with us. But I certainly see that as another good opportunity for organizations and driving revenue through their social commerce functionality.

Robert Cooney Oliver
Robert W. Baird & Co. Incorporated, Research Division

That's great color, Ryan. I appreciate it. And then just one very quick follow-up. Just -- and I know these can bounce around a little bit. You guys had phenomenal enterprise traction here. But in terms of the overall customer adds sequentially, which was down a little bit, I'm just curious if there's anything to call out in terms of the growth, that is. I'm just curious if there's anything to call out there.

Justyn Russell Howard
Co-Founder, Chairman & CEO

Yes. This is Justyn. So nothing to call out there. I think we're going to continue, and we've talked about this in the past, to see some fluctuations there, particularly as we're focused in applying resources, both from marketing and sales, toward the mid-market enterprise and those larger deals and as you saw in the shift of -- the mix shift around the large deal volume that we saw this quarter.

So nothing to call out. The opportunity for us to continue to refine that and focus on the revenue yield from the net adds kind of remains the priority for us. And we'll continue to see progress on both fronts, both on the adds and the revenue yield from them.

Operator

Next up, we have Parker Lane from Stifel.

Jeffrey Parker Lane
Stifel, Nicolaus & Company, Incorporated, Research Division

Justyn, maybe just to pick up on your last answer there. I mean, with more and more of the base shifting to mid-market and enterprise, what are some of the measures and investments you're putting in place to make sure that, that SMB cohort feels the love from Sprout and make sure that, yes, they're seeing the same level of care and innovation that those higher-level customers are going to receive?

Justyn Russell Howard
Co-Founder, Chairman & CEO

Yes. Yes, it's a great question, and it's something that's really important to our strategy. We've talked about this a bit in the past. But just to recap, when we think about the capabilities that our customers need, the real difference between the mid-market/enterprise versus the SMB has to do with scale and collaboration and team capabilities and some -- maybe some more sophisticated features around data and workloads. But the core needs are not solved, in our opinion. There's a ton of work still to do there and a ton of things that the average customer needs, the SMB customer needs, that the enterprises also need. So when we think about the way that we're balancing our road map and making sure that we've got that balance there and that we're driving continuous value across all of our segments, a lot of them go hand in hand, right? And so we're able to deliver value in the SMB that's realized up through the enterprise as well.

And then from a go-to-market perspective, making sure we're continuing to invest in the SMB, that we've got the marketing focus that we've always had in the SMB and agency segments, that we're continuing to identify new pockets of growth and opportunity there and that all of those segments are performing quite nicely, it's going to be something that the progress that we're making in the mid-market and enterprise is going to be additive there and not a give-and-take relative to the other parts of our business, at least that's our strategy and intention with the way that we're building and going to market.

Jeffrey Parker Lane
Stifel, Nicolaus & Company, Incorporated, Research Division

Yes. Makes sense. And in terms of investing in the premium modules and add-ons, it sounds like there's going to be some incremental investment there going forward. Is that something you're comfortable sharing today, maybe some insights on what customers are looking for, areas of improvement into 2022? Or is it something that you're going to share maybe in future quarters with us?

Justyn Russell Howard
Co-Founder, Chairman & CEO

Yes. Something that we'll share in future quarters is we've got kind of more firm plans there. I think I can reiterate some of the things that we talked about in the past, which is the primary capabilities that our customers come to us looking for. The more sophisticated customers just need another layer of horsepower and sophistication in those. And rather than trying to plug those into the core platform and give them away across all of our entire customer base, we'll often lean on carving those out into these premium modules. And so things like customer care, publishing, advocacy and others or some of those that we've talked about, we'll get more specific when we're nearing the time to bring those to market.

Ryan Paul Barretto
President

And I'll maybe just quickly add for you there, Parker, as well is our customers are seeing this every day in terms of the innovation. And so just -- but picking on a couple of those things, this past quarter, from a listening perspective, we pulled a lot of the listening, reporting functionality into our Premium Analytics product.

So for customers that have both of those products now, there was a lot of strength in that overlap and having the ability to cross-pollinate across those products. From a reporting perspective, we had an amazing engagement report already for customer care. We've enhanced that reporting to make it even more powerful for our customer care customers to be able to see activity happening by agents, by the volume that's coming in, how their agents are responding and how quickly. So we're continuing to evolve some of those things. They don't always make the headlines, but our customers are seeing it and feeling it.

Jeffrey Parker Lane
Stifel, Nicolaus & Company, Incorporated, Research Division

Yes. Appreciate all the color, and congrats on the quarter, Ryan.

Ryan Paul Barretto
President

Thank you.

Justyn Russell Howard
Co-Founder, Chairman & CEO

Thanks.

Operator

Next up, we have DJ Hynes from Canaccord.

Lucas Lincoln Morison
Canaccord Genuity Corp., Research Division

This is Luke on for DJ. So we're curious with the holiday shopping around the corner, are there KPIs or milestones you're watching to measure early days success with your social commerce products, understanding obviously that it's not a material revenue driver in the near term?

Justyn Russell Howard
Co-Founder, Chairman & CEO

Yes. So I think for the foreseeable future, we're really focused on adoption and completeness of the feature set as our primary metrics and objectives internally. The holiday volume is -- certainly can be a catalyst for some of that adoption and bringing more customers into the fold there, but the specific volume related to the holidays is not something that we're terribly focused on. We're going to be bringing those capabilities to customers who are going to participate in that holiday cycle, and that's a great learning opportunity and feedback opportunity and an opportunity for us to get further embedded with those customers. But our focus is on getting as much learning and adoption as we can as we're still sort of crystallizing our road map and the things that we want to bring to market over the next year there.

Ryan Paul Barretto
President

Yes. And maybe just to add in there about just this point that we think about it certainly on the sales side and in terms of the value prop. And you've heard it from Newton Baby. There's been a number of customers that adopted social commerce that are seeing this, it's just speed to response for customers. We know that the volume is going to be up. It's going to be on social. And so enabling our customers to be able to be faster in responding to their customers is going to be huge. And so that's leaning into how we hope to help customers be even more effective in this fourth quarter during the holiday season.

Operator

Next, we have Clarke Jeffries from Piper Sandler.

Clarke Jeffries
Piper Sandler & Co., Research Division

I'll spend, I think, some of my time on the 2 topical questions that -- just on the commentary from Shopify. Obviously, very bullish commentary around the growth of GMV over social channels. I just wanted to maybe unpack what you're seeing from a commerce perspective in each channel. I think in relation to this WhatsApp announcement, there are very different trends emerging across the platform like Facebook versus a platform like WhatsApp. And so I'm just wondering if you could give some examples of how social commerce is being deployed for different use cases and sort of how you think there are some interesting developments happening, depending on the platform.

Justyn Russell Howard
Co-Founder, Chairman & CEO

Yes. So I think kind of the spirit of the question is consistent with what we see in the market, which is everyone's taking a little bit of a different approach. And some of those approaches are further along and further fleshed out than others. Where we see our role there is really to sort of normalize and standardize the commerce efforts for our customers across any platform that they're participating in. And so our goal is, at the end of the day, that the exact channel or strategy around social commerce in those channels becomes less relevant because our customers are able to participate in any and all that they choose to through a centralized place. And that's one of the primary objectives that we're building toward is. Businesses are going to have a lot of nuance and a lot of different requirements and formats and specifications across the different networks. To the extent that we can take that sort of market confusion out of the equation and allow them to bring both their products and the pre-sale and post-sale conversations happen around those -- across the various networks, we think that's a win.

The -- thinking about the precise approach that the different platforms are taking, some of them are integrating with each other in the case of the examples that we mentioned, our strategy right now is to be pretty agnostic to that and really build toward the common denominators. And so that's the approach that we're taking. That's what we are hearing from our customers as well. At the end of the day, they want to be able to get their products in front of the customers that matter in a timely fashion and in the right context. The specifics of who's got relationships with who and exactly what market approach or structure they're taking is less relevant to the customers. So we think that, that's the right approach today. But continue to have our ears on the ground to see how that evolves and where businesses are really, at the end of the day, trying to solve the same objective, which is selling more products and less concerned about the nuance from channel to channel.

Clarke Jeffries
Piper Sandler & Co., Research Division

Got it. And then just as sort of the indication of the WhatsApp business announcement, it made it seem like there was definitely a global angle to this kind of product integration. Just thinking about where social commerce is happening today, do you think that situations like this, integrations like this, can really help capture a lot of the global social commerce opportunity where a lot of the growth is happening? And maybe the early stages of the domestic social commerce investment is still early, but there could be an opportunity to kind of strap yourselves to the rest of the world social commerce growth.

Justyn Russell Howard
Co-Founder, Chairman & CEO

Yes. Yes. I mean, I think it's kind of an exciting opportunity for us as it relates to global growth, right? When we think about the social commerce activity that's taking place globally and our ability to broaden our lens past the domestic side of things and specifically around the channels that we've historically supported, that's definitely a positive. We want to have as wide of a view as possible on where the market is and where it's going.

But the other thing, too, is this is kind of pulling us into more global opportunities just generally, right? So WhatsApp is a channel that we had not previously supported, a ton of global usership there. And it kind of solves 2 objectives for us at once: Both leaning into the commerce side, but also just some of the channels that are more globally used as we think about how we're expanding our core business across the global markets.

Operator

Our next question comes from the line of Matt VanVliet from BTIG.

Matthew David VanVliet
BTIG, LLC, Research Division

Congrats on the quarter. I guess as we look at more of a focus on spending around enterprise and mid-market go-to-market team more broadly, how much more are you thinking about in establishing direct sales teams that are going to be a lot more outbound-focused and going after accounts maybe that you haven't seen any free users? Just kind of thinking about that as you widen the aperture here.

Ryan Paul Barretto
President

Yes. Thanks, Matt. Well, I think the positive news for us here is not a lot changes with our motion. You heard Joe kind of touch on this. We continue to make a lot of great investments in sales and marketing. The marketing organization is really focused in on going after these sophisticated buyers for both the content strategy and SEO strategy. We're adding more capacity in our mid-market and enterprise organizations as well as our outbound efforts with BDRs. But our product still continues to be a huge part of our sales motion, and we see that as very differentiated. And so many of the deals that we're closing every single quarter, even in the enterprise, start with these customers in the product.

And so for us, we really like this motion. We know it's highly disruptive to our competitive set that typically sell on demos and much longer sales cycles. And when we get the customer in the product, leveraging our most sophisticated products like Premium Analytics and listening and starting to build in their workflow and create data and starting to rely on it before they even sign a contract, it sets us up for really great execution. So you'll continue to see us invest in the mid-market -- the marketing approach as well as in capacity, but not a lot has to change in our current motion. We're doing a lot of those things that you mentioned at the beginning of your question already today, and it's really just doubling down on those.

Matthew David VanVliet
BTIG, LLC, Research Division

Great. Very helpful. And when you -- as you look and get a little more maturity in the social commerce platform, obviously, it's still very early. But have you thought more about how that's going to be priced? Or how the monetization is going to happen over time? Are you expecting it to eventually kind of morph into a bit of a volume-based model? Or how should we think about that as it scales?

Justyn Russell Howard
Co-Founder, Chairman & CEO

Yes. So I think our -- this is Justyn. Our immediate thinking is more around both the increase in seats, potentially as the feature set becomes more robust, there's an opportunity to monetize that as an add-on, and the additional opportunities it can bring to the top of funnel, et cetera. Those are all our immediate focus from a revenue contribution standpoint. We're not taking volume based off the table, but it's not part of the immediate plans.

Operator

Next up, we have Scott Berg from Needham.

John David Godin
Needham & Company, LLC, Research Division

This is John on for Scott. Just kind of curious if you could peel the onion a little bit more on what you're seeing as far as how the nature of the buyer has been changing over the past few quarters. Is it really still trending towards that end user? And as you look to expand across different departments, where are you really seeing the most kind of natural expansion, whether it be marketing or customer success? Any color there would be helpful.

Ryan Paul Barretto
President

Yes. Thanks for your question, John. In terms of the nature of the buyer, yes, we've certainly seen an increase in the amount of leaders getting involved in those. Leaders are across departments. You see it certainly on the marketing side, but you see it with folks that are responsible for customer care, customer experience. Oftentimes, we see it from executives that are just really focused in on social and specifically the insights from social data. So more and more, our team is being involved with not just selling to the practitioner or social media manager or the folks that are responsible for that but people further up the decision-making chain. So I think that's been really promising for us. It tells us a lot about the gravity of the opportunity in front of us today and where companies are thinking about this and thinking about it in terms of just how do we go to market.

And if I think about just the future growth of how this is going to evolve and where we're going to spend time, there's going to be more and more of that for us. And I think one of the advantages of our go-to-market strategy is we've done really well meeting with the product and getting the end users and the practitioners involved in getting their hands on the keyboard and proving for themselves that the products work really well. But with things like social listening and data and analytics, we have a great opportunity to also come back and provide some amazing insights to executives before their team sign a contract to show them how this is going to be highly differentiated in the way that they think about this data and their go-to-market strategy.

Operator

Next up, we have Michael Turits from KeyBanc Capital Markets.

Michael Turits
KeyBanc Capital Markets Inc., Research Division

Joe, a question for you. Thanks at the Analyst Day for giving the range of 1 to 3 points of margin expansion for the year. As you look into next year, can you talk about some of the puts and takes? On the one hand, you are investing somewhat at least indirect as well as in product and to some extent, less than others, you could have some return to the office impact. On the other hand, you're getting more efficient. So how do those things play out? Does that drive you to the high end or the low end of that range next year?

Joseph M. Del Preto
CFO & Treasurer

Yes. Michael, thanks for the question. I don't think we're changing the range right now. I think as we get to the end of this year and we think about what investments are working, I think the reason why we can keep investing in the business and still show leverage is a couple of things.

One is, and we've talked about this before on the R&D front, the single code base and the way we build our software allows us to make the significant investments you saw that we made in this quarter, for example, and continue to make those investments next year but still drive operating leverage in the business.

And then I think why we want to keep that range open is because I think sales and marketing is where we always want to have flexibility, right? If we see really good opportunities halfway through the year or after the first quarter, if we see pockets that are really working for us, we want to maintain that flexibility to invest in those. And this is something that Ryan and I spent a lot of time on. Our teams work very closely together. Every month, we're reviewing, hey, what's working at SMB? What's the agency, how the mid-market/enterprise are doing? And so we want to always maintain that flexibility, Michael.

And so we'll probably keep that range like that open for a while. And as we progress through the year, we'll have more to talk about as those investments play out.

Michael Turits
KeyBanc Capital Markets Inc., Research Division

Right. Sure. And then, Ryan, just as a follow-up, have you -- some of your competitors sell more to personas, whether that's the marketing department or sales department or certainly customer care. Could you in that direction -- and some of the work you and I did together with -- at one event, we got a lot of interest from customer care centers as well. So do you target those personas more directly at some point?

Ryan Paul Barretto
President

Thanks, Michael. Yes, I mean, we're doing that today, and we're actually seeing it because of where our product is today and also just where the market is going and what businesses need to take care of their customers. So if I think about it from a customer care perspective of our customer experience, the customers that our customers want to get in front of are on social. And so more and more of that volume is coming in, and the current solutions that they have aren't equipped to help them there.

And so there are -- many of the customers we talked about on the call in the prepared remarks earlier and just our customer base, in general, have a high reliance on some form of engagement or customer care with their customers today. And we built products that specifically support within this area. We've also done things like we've built integrations into products like Zendesk and Salesforce Service Cloud and Microsoft Omnichannel to ensure that the work that's happening on social from these social agents is actually getting back to things like the CRM and the help desk to ensure that these businesses are best positioned to create amazing customer experiences.

So we're seeing it today. We're turning those folks today, and they're naturally being involved in our sales cycles. And you'll continue to see us develop our road map to make sure that we're taking great care of them.

Operator

[Operator Instructions] Your next question comes from the line of Arjun Bhatia from William Blair.

Arjun Rohit Bhatia
William Blair & Company L.L.C., Research Division

Perfect. I was just hoping, Justyn, maybe you could give us a little bit more background on the WhatsApp announcement and kind of what drove that latest addition. Was it something that customers were asking for? And when you think about the future, is there room for you to add others in this messaging space, whether it's Apple Business Chat or LINE or WeChat or others as you develop this strategy further?

Justyn Russell Howard
Co-Founder, Chairman & CEO

Yes. Yes, good question. So it's a combination of both customer requests and our objective to just capture as much of our customers' audience as we can in introducing these integrations over time. So certainly, a highly requested feature set, something that we're excited about, excited for our customers to be able to manage that channel alongside all the others with Sprout. And that's just consistent with our efforts to always be expanding that footprint.

And it is, to your point, I think a lot of the work that we've done around messaging, specifically around the private channels with Facebook and Instagram and Twitter before it, an area that we're going to continue to develop and add additional channels like the ones we mentioned. Our thesis there and our messaging there has always been that the consumers are deciding where they are and where they're going to be participating in active, and the businesses have to be there to respond and to capture that part of the market opportunity for their own customers.

And we just want to be building as complete of a footprint there as we can. That's increasingly in private channels, both the ones that we support today and some of the others that we'll be building in the future. So consistent with our strategy there and certainly a channel that we're excited to add given its size and utility as well as the global footprint behind WhatsApp.

Arjun Rohit Bhatia
William Blair & Company L.L.C., Research Division

That's very helpful. And then I want to touch on maybe the 2020 cohort of customers that you added. It's been a year now since your net new customer count accelerated. Is there anything you can share in terms of how that 2020 cohort has performed in terms of expansion or retention or utilization versus historical cohorts now that we have a full year of data for those customers?

Justyn Russell Howard
Co-Founder, Chairman & CEO

Yes. So maybe just some generalities that might be helpful, which is the cohorts as our years have gone on have been at higher price points, more seats on average, more products purchased on average just generally speaking across the cohorts. And all of our data, and we've talked about this in the past, supports the idea that the larger they are when they land with Sprout, the -- both -- certainly the stickier they are, but also the more that they tend to grow.

And so comfortable saying that those characteristics have been true with our newer cohorts versus the more tenured, particularly if you look further back into when we have much lower price points and things like that. Nothing specific about that cohort that we're sharing, but those are some of the general behavior patterns that we see.

Operator

Presenters, I'm showing no further question at this time. I would now like to turn the conference back to Mr. Justyn Howard for any closing remarks. Sir?

Justyn Russell Howard
Co-Founder, Chairman & CEO

All right. Awesome. Thank you. So as always, thank you all for your time, for your support. We've appreciated not just the time today but over in Investor Day and the conversations that we've had. We look forward to staying in touch with you all and answer any questions. Reach out if there are any. But thank you. Great job to the team. Really a fantastic quarter. We're excited with the momentum that we're carrying into the end of the year, and we will look forward to chatting with you all again soon.

Operator
Thank you. Ladies and gentlemen, that concludes today's conference call. Thank you all for joining. You may now disconnect.